The Effect of Managerial Skills, Investment Opportunity Set, Capital Intensity, and Conservatism Accounting to the Company's Effective Tax Rate

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ABSTRACT

For companies, taxes are a burden that could reduce their net income. So they would try to minimize and avoid the burden through various ways. This research aimed to examine the influence of managerial skills, investment opportunity set, capital intensity, and accounting conservatism on effective tax rate. Effective tax rate as dependent variable are commonly used as a proxy to measure corporate tax burden. This research used secondary data in the form of manufacture company's annual report that obtained from Indonesia Stock Exchange (IDX) from 2011 to 2013. The sample was selected are 46 companies qualified through purposive sampling method. The hypothesis testing uses multiple linear regression test by using SPSS 22 program. Based on analysis F test showed thatmanagerial skills, investment opportunity set, capital intensity, and accounting conservatismare simultaneously have significanteffect toward effective tax rate. From the analysis t test showed thatmanagerial skills and capital intensity has negative and significanteffect toward effective tax rate. The negative coefficient value of managerial skills and capital intensity showed that the higher managerial skills and capital intensity were, the lower corporate effective tax rate would be. Meanwhile, investment opportunity set and accounting conservatism has no effect toward effective tax rate.

Keywords: *Effective Tax Rate, Managerial Skills, Investment Opportunity Set, Capital Intensity, Accounting Conservatism*

1. Introduction

Tax is crucial for economic growth in a country. Tax has a role as one of the largest revenue that accepted by country, with the result that the government should put a special attention to optimalized the tax receipts sector. But, for a company, tax is a burden that could decrease the net income. In implementing tax provisions, to be sure the company does not want to mistakenly pay or pay more, and if possible it will take advantadge of various opportunities that exist on tax provisions to increase the profit from the business.

In order to optimalized the government tax receipts, seeks to encourage the entrepreneur to do more vigorous effort by giving the incentive reduction in corporate tax rate, on Undang-Undang No. 36 Tahun 2008 pasal 17 ayat (2b) and Peraturan Pemerintah Nomor 46 tahun 2013 about the simplification of tax calculation. The corporate tax burden can be calculated from the tax base multiplied by the applicable tax rates which prescribed by law. This tax rate which has been prescribed by law is known as Statutory Tax Rate (STR). But, in practice the actual taxation, many are found the corporate taxpayers that paid less tax burden than it should be, if calculated by using STR. The less tax burden is known from the amount of the company's effective tax rate (ETR). Effective Tax Rate (ETR) is the tax rate that reflects the actual tax burden borne by the taxpayer company (PWC 2011).

The *Statutory Tax Rate*(STR) every company in indonesia will always be the same, that is 25% that exist since 2010. But, *Effective Tax Rate* in every company must be different from one of each other. The STR rate which is still considered high by a few companies that is going to make a corporate as a taxpayer doing more effort to be able to decrease the tax burden that they have to pay. The effort to descrease this tax burden Performed with managing the corporate taxes or known as tax management. One form of tax management itself is a tax planning form.

A few previous researchs about ETR show the variated results. Ruba'i (2009) and Handayani (2013) found that the managerial skills and investment opportunity set effected to the ETR. Wibowo (2012) found that capital intensity has an effect to the ETR. Besides that, ETR is able to influenced by variated company characteristic factors like size, leverage, overseas activities, free cash flow, profitability, multinational company, government ownership, and independent commissioner (Richardson and Lanis 2007; Ruba'i 2009; Handayani 2013; Ardyansah 2014; Kraft 2014).

Based on the background above and the previous researchs, then the problem that will be raised in this study is, whether there is an influence of the managerial skills, investment opportunity set, capital intensity, and conservatism accounting to the company's effective tax rate. The researcher took several variables based on the previous researchers with accounting conservatism as a research update. The results of this study are expected to provide new empirical evidence about the effect ofmanagerial skills, investment opportunity set, capital intensity, and conservatism accounting to the company's effective tax rate. This study will be focused on The manfacture company that listed in Indonesia Stock Exchange (IDX).

2. Literature Review and Hypothesis Development

2.1 Agency Theory

Agency theory is a theory that declare the relationship between the authorizing party (principal) and the receiving authority party (agent). Agency theory assumed that all invividuals are going to act to their own interests. Such a human nature who has a selfishness of others, so as they are able to encourage to behave and act for their own interests (Anthony & Govindarajan 2009).

This theory appears when there is an authorizing work relationship between one people or more (principal) and cooperate with other people (agent) to receiving authority and run the company. Manager (agent) has an obligation to report and give the information to the owner (principal), because a manager (agent) is know more about the company's condition than the owner of the company (principal). But, sometimes a manager does not report the condition of the company that appropriate with the real condition of the company.

The differences of interests between principal and agent are able to influence various matters relating to the performance of the company, one of those is the company's policy regarding the tax. Taxation system in Indonesia which using a *self assessment system*is a given authorities by the government to calculate and reports own tax. The using of self assessment system is able to give a chance for agent party to calculate the taxable income as low as possible, then the tax burden borne by the company is going to decrease. This matter is done by the agent party because the existence of asymmetric information to the principal party, by doing the tax management, then the agent party is going to gain a distinct advantadge that can not be obtained from the cooperation with the principal party (Ardyansah 2014).

2.2 Effective Tax Rate

Effective tax rate is a rate that can not be assigned in taxation rule. *Effective tax rate* (ETR) is used to reflect the differences between the calculation of book profits and taxable income. *Effective tax rate* is calculated and assessed based on the financial information that generated by the company, so the *effective tax rate* is a form of calculation of the tax rate on companies (Anaualal 2011).

PriceWaterHouseCoopers (PWC 2011) on Handayani (2014) formulating effective tax rate as a total income tax payable divided by earnings before taxes. Total income tax payable is a tax burden which paid in the current year. Total income tax payable is the amount of income tax owed the company in a period. The amount of income tax payable on the taxable income of the period is also called as a current tax burden, IAI (2009). When formulated then ETR can be written as follows :

$$\text{Effective Tax Rate} = \frac{Current\ Tax\ Burden}{Earnings\ Before\ Taxes}$$

2.3 Managerial Skills and Effective Tax Rate

Bertrand and Schoar (2002) on Handayani (2013) said that manager gives an extensive influence over the choices and decision to be taken within the company. The owner of the company gives a trust to the manager to manage resources efficiently and otherwise, a manager has a responsible to the owner and *stakeholder*in the form of financial statements. Financial statements are arranged by the manager, appropriate to the company’s condition, so increase the financial statements value as a form of business communication. In order to carry out this role, a manager is required to have an ability and specialization or called by managerial skills.

Demerijan, et al (2012) contended that a managerial skills is a manager ability to reach the company's efficiency. Managerial skills is greatly affect the quality of earnings. One key to success in the enterprise is a manager that is able to design the efficient business process and decision that giving a one more adding-value for the company (Handayani 2013). A manager is required to have qualified skills within the framework of the implementation of the management functions so it could reach the effectivity and efficiency that affect to the corporate profits in a sustainable manner.

Refers to the research that is already done by Ruba'i (2009) on Handayani (2013) the levels of managerial skills can be merged by *Data Envelopment Analysis* (DEA) technique. DEA as an approach to evaluate the performance (efficiency) entity set that called as Decision Making Units (DMU) with changing many input into many output. DMU is assessed reaching the full efficiency, if the ratio comparison between input and output equal or more than 1 or 100%. That matter can be defined that *Decision Making Unit* is able to take the maximum input advantadges to produce a certain output and doing a waste no more, so it is able to reach the efficient point.

A manager has an order to run the planning function and take the exact business policy in a company. The planning and the company taxation policy are part of the planning function and business policy which has to be run by a manager. Manager or company executive are people that has a main role in company's tax planning activity (Dyreng, et al 2009 dalam Handayani 2013). Ruba'i (2009) declared that the higher managerial skills, the lower company's effective tax rate. That matter is the same with Handayani (2013) which conclude that the higher levels of managerial skills, the lower company's effective tax rate.

Based on those explanation, then the researcher will offer a hypothesis as follows :

(H1) Managerial skills effected to the company's effective tax rate

2.4 Investment Opportunity Set and Effective Tax Rate

The emergence of the term of *investment opportunity set* (IOS) declared for the first time by Myers (1977) that explain the company's definition namely as a combination between real assets and future investation option. The IOS concept begins from an idea that the growth company is a company that has an opportunity or a beneficial investment opportunity in the future.

According to Gaver dan Gaver (1993) that the investment options in the future not only performed by the projects existence which supported by the research activity and development only, but also the company skills which deeper to exploit and take an advantadge the opportunity to gain the profit to be compared by others equal company in one industrial group. The large company usually has more investment option than others small companies because large companies usually dominate the market until they have the competitive excellence.

According to the research of Adam dan Goyal (2007) that exists four proxies which can be used to measure a company's investment opportunity, that four proxies is:

a. *Market-to-Book Assets Ratio*
   MBA Ratio = $\frac{\text{assets} - \text{total equity} + (\text{shares outstanding x stock price})}{\textit{total asset}}$

b. *Market-to-Book Equity Ratio*
   MBE Ratio = $\frac{\textit{share price x shares outstanding}}{\textit{total equity}}$

c. Earnings-Price Ratio
   EP Ratio = $\frac{\textit{earnings per share}}{\textit{share par value}}$

d. *Capital-Expenditures-to-Net-Plant-Property-and-Equipment Ratio*
   CAPX/PPE Ratio = $\frac{\textit{capital expenditures}}{\textit{net plant property and equipment}}$

The company which has a high IOS tend for not using a funding fom the third party in the form of debt. That company prefer to use internal funding so the profit from the investment that gained is maximize shareholder value (Handayani 2013). That matter be in accordance with the opinion from Myers (1977) that companies with a high IOS tend to optimalized the investment and minimize debts. With a small value of debt of a company, then the interest will be effected, so as a company let through the opportunity to save the tax through the interest expense.

In taxation rule in Indonesia, interest expense is one of a deduction from taxable income. Gaver dan Gaver (1993) on Handayani (2013) stated that, usually, a company with high IOS is a large company and company that has a high profitability. Meanwhile, Ruba'i (2009) and Handayani (2013) declared the same opinion, that is, the higher IOS of a company, then the higher company's tax burden which measured from the company's tax rate.

Based on the explanation, the researcher offers a hypothesis in this study, as follows :

(H2) Investment Opportunity Set effected to the company's effective tax rate

2.5 Capital Intensity and Effective Tax Rate

Capital intensity is an investment activity by the company that associated with the investment in a fixed assets and inventory form. Capital intensity ratio is able to perform the levels of company's efficiency in using the fixed assets to generate the selling. Almost in all fixed assets experiencing a decrease. In taxation rule, a depretiation expense is able to used as an amount of the tax deduction which paid by the company.

Invests in companies should always consider the company's opportunities or prospects in the market competition. Waluyo and Kaarno (2000) on Purnama (2013) stated that the indicators of the company's prospects in the future which can be use in research is capital intensity, where the capital intensity reflects how much the capital that needed to generating the revenue, so as the capital intensity in the company is able to be theindicators of the company's prospects in claiming the market.

Syamsudin (2000) on Hardinsyah (2013) suggested that this capital intensity ratio shows the using levels of efficiency for all company's assets in generating certain selling volume. The higher of the capital intensity ratio means that themore efficient use of all the assets in generating the selling. Rodriguez dan Arias (2012) explained that fixed assets that belong to a company enabling that company to cut the tax as a caused from depreciation of fixed assets depreciation in every year. Depreciation costs that can be deducted from the income in calculating the tax, then with the higher a large amount of fixed assets that belong to the company, it will be a larger depreciation and it will caused the amount of taxable income and effective tax rate is going to be decrease.

Liu and Cao (2007 on Ardyansah (2014) mentioned that the asset depreciation methods are encouraged and determined by the tax law, so as the depreciation method is able to be decreased on profit before tax. Therefore, thus, the greater the proportion of fixed assets and the cost of capital depreciation a company is going to have a low *effective tax rate*. In line with Liu and Cao (2007), Sabli and Noor (2012) on Ardyansah (2014) explained that a company which has a high fixed assets tend to perform tax planning,so it has a lower effective tax rate. On his study, Ardyansah found the effect that was not significant between the capital intensity and effective tax rate, while Wibowo (2012) concluded that capital intensity has an effect to the company's effective tax rate.

Based on the explanation, in this study, the researcher offers the hypothesis as follows :

(H3) Capital Intesity effected to the company's effective tax rate

2.6 Conservatism Accounting and Effective Tax Rate

Riahi, et al (2006) stated that the conservatism is a principle of exclusion or modification on principle matters that act as a restrictions on accounting data presentation that relevant and reliable. Conservatism principle assumed that when choosing between two or more accounting techniques that generally accepted, a preference indicated to options which has the most unfavorable impact to the shareholders' equity. More specifically, the principle implies that the lowest value of assets and revenues as well as the highest value of liabilities and expenses should be selected to be reported. Therefore, principle of conservatism requires that accountants show pessimistic attitude in general when selecting accounting techniques for financial reporting.

Penman and Zhang (2002) stating that the characteristics of conservatism is net asset which reported in the financial statements is lower than its market value in the long term.Conservatism can be regarded as a persistent difference between the market value and the book value where the difference is different from temporary differences as a result of economic gains and losses are recognized in the book value gradually over time.

The concept of conservatism has been linked to the financial statements of a company.The higher the level of conservatism which is owned by preparers of financial statements, the greater the possibility of a reduction in the practice of corporate profits so that the tax burden must be paid by the company also reduced. Jaya, et al (2013) argued that the planning and policies undertaken by the company's executives are based on the company's financial statements. Planning and policies undertaken by the executive including planning and corporate taxation policy. Indirectly, the financial statements on which to base planning and determination of the company's policy is influenced by the concept of conservatism (Oktomegah 2012).

Based on these descriptions, then the hypothesis proposed in this study as follows:

(H4) accounting conservatism affect the company's effective tax rate

3. Research Method

3.1 Data and sample

This study uses secondary data from the annual report companies listed in the Indonesia Stock Exchange during the period 2011 through 2013. Sampling in this study using purposive sampling method with the following criteria:

1) Manufacturing companies respectively provide annual reports on the Indonesia Stock Exchange in 2011 – 2013;
2) The manufacturing company is not delisted during the period of observation;
3) Publish annual reports (annual report) consistently in the IDX website during the observation period;
4) Does not have a negative profit / loss during the period of observation;
5) Financial statements issued during the period of observation using Rupiah.

3.2 Variable Operationalization

Dependent Variable:

The dependent variable in this study is the effective tax rate. PriceWaterHouseCoopers (PWC 2011) in Handayani (2014) formulate an effective tax rate as follows:

$$\text{Effective Tax Rate} = \frac{Current\ Tax\ Burden}{Earnings\ Before\ Taxes}$$

Independent Variable:

1) Managerial Skills

Referring to research conducted demerjian, et al (2012) and Ruba'i (2009) in Hand (2013) the level of managerial skills measured by the technique Data Envelopment Analysis (DEA). DEA is an approach to evaluate the performance (efficiency) set of entities called Decision Making Units (DMU) by changing a lot of input into many output.

The output used is selling. While input used is *Cost of Good Sold* (COGS), *selling, general and administration expenses (SG&A), plant, property and equipment.* DMU achieve full efficiency when scores DEA or the ratio of output to input for each unit is expressed in grades 0-1 or 0% - 100%. If formulated DEA technique will be as follows:

$$\text{DEA} = \frac{Total\ Output}{Total\ Input} \times 100\%$$

2) Investment Opportunity Set

Referring to Adam and Goyal (2007), which suggests that the ratio of earnings-price ratio (EP ratio) can be used as a proxy for IOS. If formulated the earnings-price ratio can be written as follows:

$$\text{EP Ratio} = \frac{earnings\ per\ share}{share\ par\ value}$$

3) Capital Intensity

Based on research conducted Rodriguez and Arias (2012) this variable is measured using the ratio of fixed assets divided by total assets that can be formulated as follows:

$$CIR = \frac{non\ current\ asset}{total\ asset} \text{ X } 100\%$$

4) Conservatism Accounting

Referring to Givoly and Hayn (2002) in Jaya et al (2013) conservatism was measured using the accrual. If the accrual is negative, then the profit is classed conservative. The formula for measuring conservatism is as follows:

$$C_{it} = NI_{it} - CF_{it}$$

C_{it} : Conservatism

NI_{it} : Net Income minus depreciation costs

CF_{it} : Operating cash flow from operating activities

3.3 Data Analysis Method

Hypothesis testing using multiple linear regression. Regression models of this study are as follows:

$$ETR = \alpha + \beta 1MA + \beta 2IOS + \beta 3CIR + \beta 4CON + \epsilon$$

Classical assumption test performed prior to multiple linear regression tests, which test for normality, multicollinearity, heteroscedasticity and autocorrelation.

4. Research Result

4.1 Descriptive Statistics

Descriptive statistical sample of 46 manufacturing companies during the period 2011 through 2013 were used as research data can be seen in the following table:

Table 4.1
Descriptive Statistics Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	138	,14305	,43182	,2564399	,04500791
MA	138	,50047	1,39011	,9131975	,15138258
IOS	138	,03872	70,10000	5,2798283	11,03622969
CIR	138	,08916	,86002	,3835046	,17317338
CON	138	-5005000	23590488	551852,47	3211616,637
Valid N (listwise)	138				

Source : Researcher processed through SPSS 22, 2015

The above table shows that the number of observation data used in this study as many as 138 observations were obtained from the annual report companies listed in Indonesia Stock Exchange in 2011 through 2013. Descriptive statistics on the table above show the lowest value, the highest value, average, and standard deviation of each variable.

4.2 Hypothesis Testing

This study uses regression analysis model, in order to obtain the accuracy of the model to be analyzed need to be tested on some of the requirements of the underlying assumptions of classical regression model. Classic Assumptions Test in this study, among others, by statistical data normality test, multicollinearity test, autocorrelation test, and heteroskedastisitas test. This study found the autocorrelation problem so as to overcome the problem of the researchers to transform the autocorrelation lag. By transforming the lag, the number of observations in this study reduced the from 138 to 137 observations.

Results of multiple regression analysis in Table 4.2 shows the value of adjusted R2 of 0.083 or 8.3%. This shows that 8.3% of the company's effective tax rate is able to be explained by the independent variables in this study. While 91.7% is explained by other variables outside the research. Data processing results are presented in Table 4.2 below:

Table 4.2
Test Results Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,331[a]	,110	,083	,04196

a. Predictors: (Constant), LAG_CON, LAG_CIR, LAG_IOS, LAG_MA

Source : Researcher processed through SPSS 22, 2015

Based on F test results in the table below, it appears that the F test results indicate calculated F value of 4,068 where the calculated F value is greater than the F table value that is equal to 2,44 with a significance level of 0.004 is smaller than the significance level set is 0,05. This indicates that the Managerial Skills, Investment Opportunity Set, Capital Intensity and Accounting Conservatism together or simultaneously significantly influence Company's Effective Tax Rate.

Table 4.3
Results of Statistical Test F

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,029	4	,007	4,068	,004[b]
	Residual	,232	132	,002		
	Total	,261	136			

a. Dependent Variable: LAG_ETR

b. Predictors: (Constant), LAG_CON, LAG_CIR, LAG_IOS, LAG_MA

Source : Researcher processed through SPSS 22, 2015

Based on t test results below, the variable t Value of managerial skills and capital intensity of each show significant results. However, the investment opportunity set and accounting conservatism results not significant.It can be concluded that the managerial skills and capital intensity partially have a significant impact on the effective tax rate, while the investment opportunity set and accounting conservatism have no effect on the effective tax rate. Hypothesis testing is partially shown in table 4.4 below:

Table 4.3
t statistical test results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,359	,043		8,305	,000
	LAG_MA	-,148	,046	-,468	-3,261	,001
	LAG_IOS	,001	,000	,137	1,237	,218
	LAG_CIR	-,112	,038	-,396	-2,959	,004
	LAG_CON	-2,026E-9	,000	-,137	-1,662	,099

a. Dependent Variable: LAG_ETR

Source : Researcher processed through SPSS 22, 2015

Based on the table 4.4 above, can be summarized as follows:

1. Managerial Skills variable has a *t* value of 3.261 which is greater than t table, that is equal to 1.97810 with a significance level of 0.001 which is below the significance level that is equal to 0.05. This suggests that the effect of Managerial Skills with negative direction and significant to the company's effective tax rate.Thus, the first hypothesis (H1) is accepted. The results are consistent with previous studies conducted by Hand (2013) and the research conducted Ruba'i (2009) which states that the managerial skills associated with a significant and negative direction of the company's effective tax rate.
2. Variable Investment Opportunity Set has a *t* value of 1.237 which is smaller than t table, that is equal to 1.97810 with a significance level of 0.218 which is above the level of significance is 0.05.This shows that the investment opportunity set has no effect and no significant effect on the company's effective tax rate.Thus, the second hypothesis (H2) is rejected.Results of this study contradict previous studies conducted by Ruba'i (2009) and the research conducted Hand (2013) which states that the investment opportunity set has a positive and significant impact on the company's effective tax rate.
3. Capital intensity has a *t* value of 2,959 which is greater than t table, that is equal to 1.97810 with a significance level of 0.004 which is below the significance level is 0.05.This suggests that the effect of capital intensity with negative direction and significant to the company's effective tax rate.Thus, the third hypothesis (H3) is received. Results of this study are not in

accordance with previous studies referenced, Ardyansyah (2014) and Primordia (2014) equally stated that the capital intensity does not significantly influence the company's effective tax rate. However, the result is in line with the research studied by Wibowo (2012) which examines the factors that may affect the effective tax rate. The study concluded that the capital intensity has a significant impact on the effective tax rate.

4. Accounting conservatism variable has a t value of 1.662 which is smaller than t table, that is equal to 1.97810 with a significance level of 0.099 which is above the 0.05 significance level that is equal to. This suggests that accounting conservatism has no effect and no significant effect on the company's effective tax rate. Thus, the fourth hypothesis (H4) rejected. The results are consistent with previous studies conducted by Jaya, et al (2013) which states that accounting conservatism have no effect on the company's effective tax rate.

5. Conclusion, Implication, and Suggestion

5.1 Conclusion

Based on the results of hypothesis testing in the previous chapter, it can be concluded as follows:

1. Managerial skills have a significant influence with direction negative relationship to the company's effective tax rate. This shows that the higher the level of managerial skills will lower the effective tax rate of a company. By increasing the value of managerial skills, then the manager will get better in carrying out any function. One of which is to optimize the company's profit by making tax management so as to reduce the effective tax rate of a company.
2. Investment Opportunity Set does not affect the company's effective tax rate. Companies that have a higher IOS will tend not to use the funding from third parties in the form of debt. Although the existence of the loan in the form of debt would reduce the tax burden due to interest expenses, but not all interest expenses can be used for tax deduction. Because there

are rules governing the taxation of the amount of interest expense that can be used as a deduction. So the tax benefits gained from interest expense is also not optimal.

3. Capital intensity significantly influence and have a negative relationship direction to company's effective tax rate.This shows that the higher the intensity value of capital owned by a company it will lower the effective tax rate. Capital intensity has linkages with the fixed assets of the company.The larger the fixed assets owned by a company, the greater the cost of depreciation. The greater the depreciation costs will reduce corporate profits so as to lower the effective tax rate incurred by the company
4. Accounting conservatism does not affect the company's effective tax rate. This is because the taxation laws in Indonesia can anticipate the principle of conservatism that is still held by some companies that do not reduce income taxes massively. It can be seen in several government policies regarding taxation such as the prohibition set up a reserve for doubtful accounts as a deduction from taxable income and may not allowed to use the LIFO method for assessing the supply and use of supplies for the calculation of cost of goods that could reduce earnings and the company's effective tax rate.

5.2 Implication

Based on the research that has been done, there are several implications of this research, namely:

1. For corporate taxpayers, the results of this study can be used as a reference in the tax planning with a view to save taxes also. Taxpayer company can consider to maximize factors that they have in order to save taxes, such as increasing the level of managerial skills and the use of capital intensity.
2. For the government and the Director General of Taxation, the results of this study can be a reference for better oversight of the taxpayer. In addition, this research can also be used as a reference in making regulatory or taxation policy that can accommodate and anticipate the conditions or criteria for the taxpayer so as to minimize possible losses to the state.

5.3 Suggestion

Suggestions that can be given in this study for further research, which is expected to be corrected in subsequent studies, such as :

1. Period of this study is limited to a period of three years, that is, 2011, 2012, and 2013. Therefore, further research is expected to increase the period of study in order to obtain more samples so as to describe the condition of manufacturing companies listed on the Stock Exchange.
2. Future studies are expected to examine the population sectors other than manufacturing companies, such as financial and non-financial companies listed on the Stock Exchange, in order to compare the company's effective tax rate in some sectors, so as to illustrate the effective tax rate across the companies listed on the Stock Exchange
3. In this study shows, the results adjusted R-square of 0.083 or 8.3%, which means that the independent variables used in this study is only able to explain 8.3% of the factors that affect corporate debt policy variables. Further research is expected to replace or add other independent variables are able to explain the company's effective tax rate variable is better, for example the size of the company, corporate governance, independent directors, and so forth.

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